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National Intelligence Bulletin

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February 4, 1975

State Dept. review completed

No 638

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027400010020-5

Approved For Release 2007/03/07 : CIA-RDP79T00975A027400010020-5

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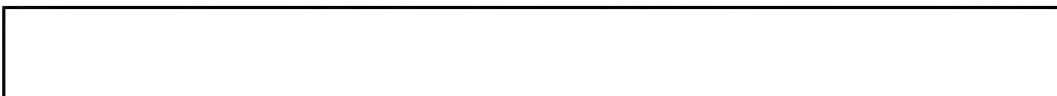
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USSR - Middle East

The communiqué marking the end of Soviet Foreign Minister Gromyko's visit to Syria yesterday calls for the reconvening of the Geneva peace conference within a month. The USSR and Syria may be trying to apply pressure on Egypt--where Gromyko is today--to accept a deadline in its negotiations with Israel concerning the Sinai. The Soviets may also choose to interpret the communiqué as committing Damascus to forego bilateral negotiations concerning the Golan front in favor of the Geneva forum.

Other aspects of the visit seemed orchestrated for their impact on the Egyptians. Gromyko's banquet statement in Damascus that the Soviets "know how to evaluate real friendship" seemed, in the context of his lavish praise of the Syrians, to have been an implicit criticism of President Sadat.

Although the Soviets reiterated their commitment to strengthen Syria's military capability, they appear to have offered little in the way of new aid. Gromyko confined himself to signing previously negotiated agreements on economic and scientific cooperation.

The foreign minister delivered a personal message from General Secretary Brezhnev to President Asad, and Brezhnev's contribution to Soviet-Syrian relations was specifically mentioned in the communiqué. Gromyko invited Syrian Foreign Minister Khaddam to Moscow, but there was no reference to rescheduling Brezhnev's trip to Syria.

While in Damascus, Gromyko also met with fedayeen leader Yasir Arafat and, during his banquet speech there, made Moscow's first explicit call for a Palestinian "state." Previously, Moscow has endorsed only a Palestinian "national home" or "statehood." The communiqué omits any reference to either Palestinian "statehood" or a Palestinian "state."

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Soon after his arrival in Cairo yesterday, Gromyko had a three-hour meeting with Egyptian Foreign Minister Fahmi. The two signed consular and economic planning agreements and the cultural protocol for this year. These accords were negotiated some time ago and had been left for signature by Brezhnev before his visit to Cairo was postponed in late December.

Gromyko's first, and possibly only, session with President Sadat is set for this morning. The Egyptian press has played down their meeting, merely noting that Sadat would see Gromyko "before he leaves."

Gromyko said yesterday's session with Fahmi dealt with a review of "certain problems dealing with relations between the two countries as a matter of principle." In his speech at the airport, Gromyko tossed a few barbs, referring to the "fruitful results" of his Syrian visit and to the USSR's desire for a resumption of the Geneva peace conference "at the soonest date." Fahmi did not refer to Geneva at all during his speech at a dinner for Gromyko last night.

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ETHIOPIA

The US consul in the Ethiopian provincial capital of Asmara reports that, after a relatively quiet day, heavy fighting broke out in the downtown area late last night. Some US military communications facilities were hit by small arms fire, but there were no US casualties.

Yesterday, the police assumed responsibility for patrolling the city, and most army troops returned to their barracks. The army broadcast a call for a return to normal in Asmara and asked storekeepers to reopen their shops. The broadcast indicates that government forces do not feel seriously threatened by the rebels and is a tacit admission that the intense firing in Asmara over the weekend resulted largely from the armed forces' own actions.

Shortages of water and electricity are creating a difficult situation in the city. The US consul reports that local citizens are asking for asylum and demanding access to the consulate's limited water reserves. Eritreans fear further reprisals by the military, especially if the rebels launch more attacks.

The US consul is planning to evacuate civilian American dependents today, and the commander of the US Kagnew communications station has requested the evacuation of all the station's US personnel. The French consul is making plans to evacuate French nationals from Asmara.

The Ethiopian air force yesterday apparently continued strikes against suspected rebel concentrations in outlying areas. Military vehicles with troops, machine guns, and howitzers have been observed traveling north from Asmara.

The ruling military council in Addis Ababa, meanwhile, announced the government's nationalization of 72 businesses and the acquisition of a controlling interest in 29 others. The nationalization edict affects textile, metal, and other enterprises. The council promised compensation, said it wants to retain expatriate management, and declared its desire for foreign investment. It coupled these soft words with criticism of past foreign involvement in the economy.

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INTERNATIONAL MONETARY DEVELOPMENTS

President Giscard d'Estaing, who meets again today for summit discussions with Chancellor Schmidt, may continue to urge a plan for a phased return to fixed exchange rates within the EC and internationally as well. Bonn remains strongly opposed to Paris' plan.

The French proposal calls for a phased re-entry of the British pound, the French franc, and the Italian lira into the seven-member European joint float. These countries would then resume defending their rates--first in relation to each other's and subsequently relative to the dollar--in effect ending the current system of generalized floating. Much of the EC members' intervention now is aimed at preventing excessive day-to-day movements of the exchange.

Although Bonn intervenes in dollars, the West German government is convinced that an attempt to fix parity with the dollar or floating EC currencies is doomed to failure. Bonn considers that floating exchange rates are necessary now because of divergent monetary policies and because inflation varies from one country to another. The West Germans are unwilling to finance defense of fixed parities among the pound, the lira, and the French franc until the EC can agree on measures to coordinate economic and monetary policies closely.

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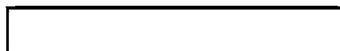
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BRAZIL

The Geisel administration is playing up the recent capture of a number of members of the illegal Brazilian Communist Party and the seizure of printing presses used to produce the party's newspaper. In a recently televised address, Justice Minister Falcao urged all Brazilians to familiarize themselves with the details of the government's action, which are being published.

By playing up the actions against the Moscow-oriented party, which, in fact, has long been docile, the government is going out of its way to praise the security forces. This in turn is probably meant to reassure hardliners that security interests are still receiving high priority.

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Moreover, Falcao's statement that the recent raids turned up information proving the Communist Party's "participation" in the elections could be designed as a warning to any congressman-elect contemplating some provocative or controversial action--particularly when congress convenes in March. It could serve as a warning to the press as well. Falcao's claim might also be used at some future time to buttress the government's case, should it opt to remove a politician deemed unacceptable.

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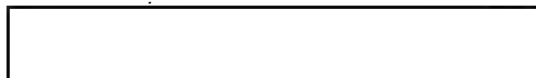
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